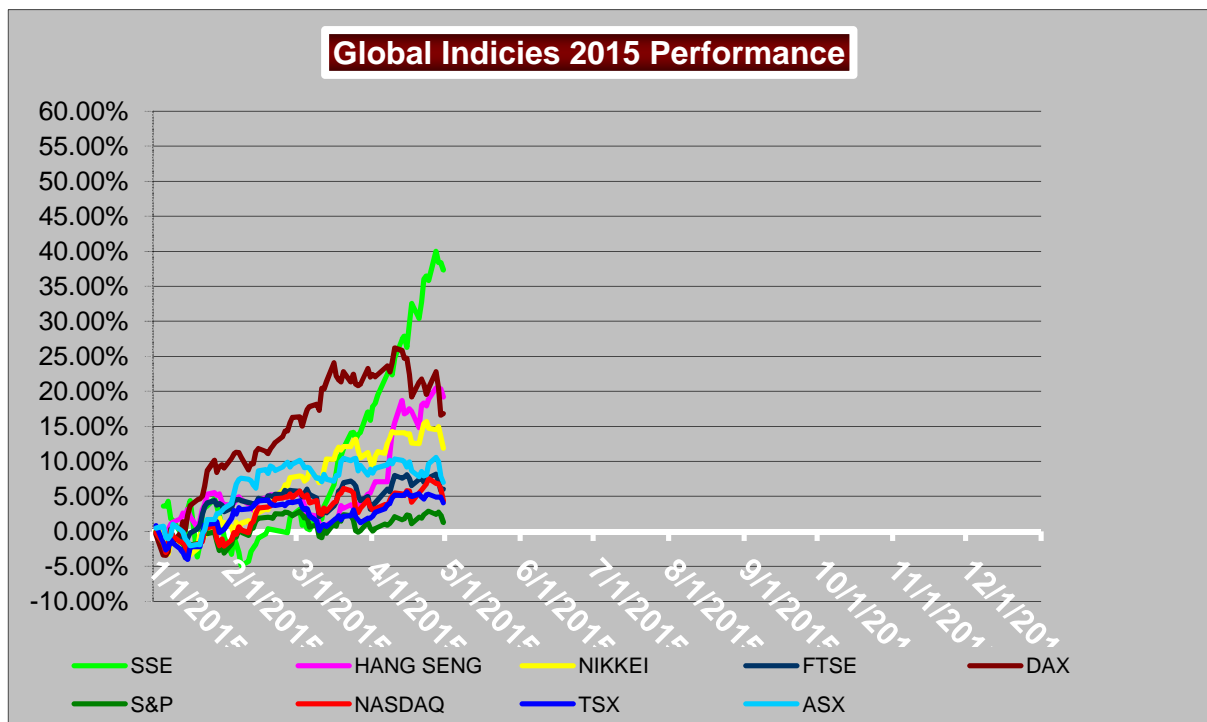


GDB May 2015 Newsletter

Monthly Market Summary:

2015 April Market Activity		
SSE COMPOSITE	4,441.65	+693.75 (+18.51%)
HANG SENG	28,133.00	+3,232.11 (+12.98%)
NIKKEI 225	19,520.01	+313.02 (+1.63%)
FTSE 100	6,960.60	+187.60 (+2.77%)
DAX	11,454.38	-511.79 (-4.28%)
DOW	17,840.52	+64.40 (+0.36%)
S&P 500	2,085.51	+17.62 (+0.85%)
NASDAQ COMPOSITE	4,941.42	+40.54 (+0.83%)
ASX 200	5,790.00	-101.50 (-1.72%)
TSX COMPOSITE	15,224.50	+322.10 (+2.16%)

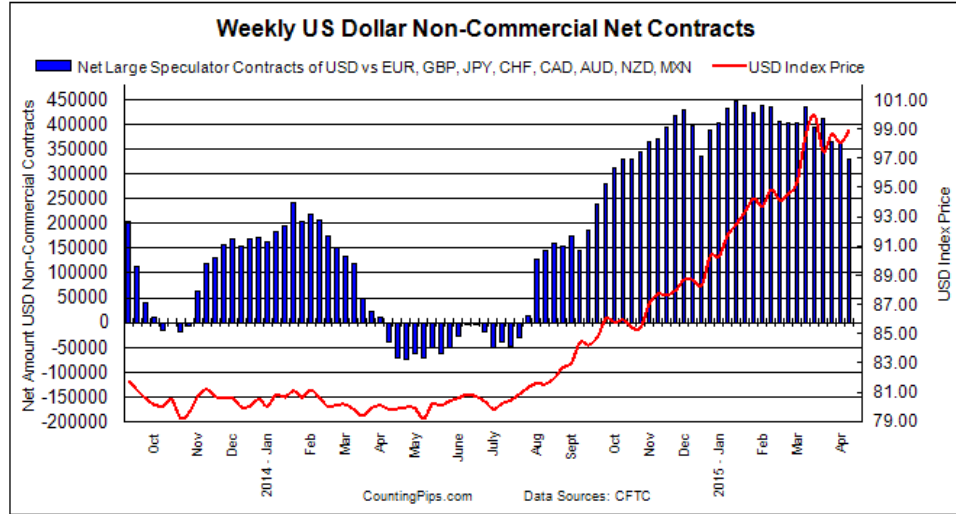


Investment Themes:

Since a protracted 25% plunge to a 12-year low against the greenback in the start of the year, the Euro has staged an impressive rebound from the 1.05 low reached in the beginning of March to 1.12 at the beginning of this month. In fact, the single currency has garnered its biggest monthly gain in four and half years in April, on the back of improving data from Europe and an expected delay from the Fed interest rate lift off.

The recent strength in the EUR/USD cross rate is largely technical in nature and lacks fundamental substances. It is an epic short squeeze fueled by the record volume of short positions by non-commercial speculative bets against EUR. At the same time, bullish bets on the USD are also at record levels against a basket of other currencies.

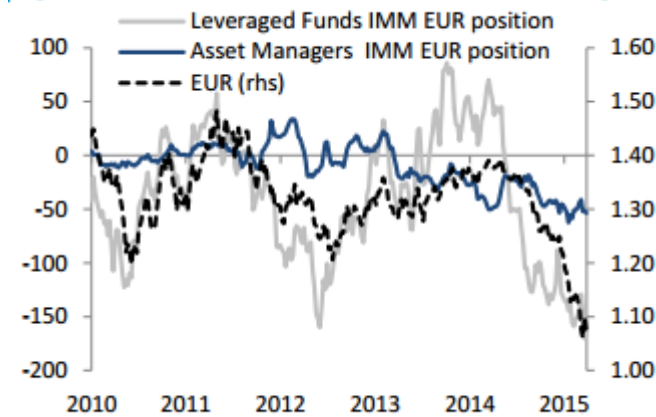




USD

Further in-depth break down by Deutsche Bank of the Traders in Financial Futures report, published by the CFTC sheds more insight on the large concentration of short EUR bets made by leveraged players such as hedge funds:

Figure 3: Levered funds short more than asset managers



Source: Deutsche Bank, Bloomberg Finance LP.

The aggressive use of leverage by hedge funds means some of them may be under tremendous pressure from the rapid reversal in EUR, which may force them to close positions which could further exacerbate the short squeeze.

Over the long term, the fundamental catalysts that are fueling the EUR's descent against the USD are still well intact, the list consists of:

Expansive monetary policy in the Eurozone through ECB's €60 billion a month QE program while the US is contemplating with monetary tightening

Recent sell-off in European bonds has brought yields to pre-QE levels. This challenges ECB's creditability and QE's effectiveness. If yields continues to rise, we expect ECB to step up their QE efforts which will put downward pressure on the EUR

The probability of a Greek default given recent developments is on the rise. The European policymakers have so far downplayed the Grexit scenario and the risk of contagion is perceived to be much more limited. If EU and Greece fail to avert the unthinkable, stability of EUR will be compromised

UK election resulted in the re-election of the Conservatives Party with majority. A British referendum to stay in the EU is now in play. The introduction of this additional uncertainty does not bode well for the EUR

As we can see, the fundamentals are stacked against the EUR to resume its downward slide. Therefore, for investors with longer term horizons, the short squeeze on EUR presents an opportunity to establish new short positions to take advantage of future EUR weakness.